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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS
COMMISSIONER

BILL ANALYSIS

BILL NUMBER: HB 5631, as introduced

TOPIC: Remove the \$500 cap on mini-tort damages

SPONSOR: Rep. Tim Melton

CO-SPONSORS: Reps. Lesia Liss, Harold Haugh, Vincent Gregory, Dian Slavens, Andrew Kandrevas, Kate Segal, Jon Switalski, Douglas Geiss, Bob Constan, Mike Huckleberry, Robert Jones, Fred Durhal, George Cushingberry, Jimmy Womack, LaMar Lemmons, Coleman Young, David Nathan, Lisa Brown, Woodrow Stanley, Sarah Roberts, Lee Gonzales, Ellen Cogen Lipton

COMMITTEE: House Committee on Insurance

Analysis Done: December 2, 2009

POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation.

PROBLEM/BACKGROUND

A person insured under the Michigan no-fault insurance law is protected from being sued in most situations as long as the vehicle owner or registrant carries the required no-fault insurance coverages. However, there are a few exceptions when policyholders can be sued, even if they are insured. One of those exceptions outlined under MCL 500.3135(3)(e) of the Michigan Insurance Code is for limited property damage liability, also commonly referred to as "mini-tort." Under this provision, if an insured driver is more than 50% at fault in an accident and the other driver either does not have collision coverage, or has collision coverage with a deductible, the at-fault driver may be liable for up to \$500 for damages to the other vehicle that are not covered by insurance. This liability amount was originally \$400 but was increased to \$500 effective March 28, 1996 (1995 PA 222).

DESCRIPTION OF BILL

The proposed legislation would remove the \$500 cap on mini-tort liability for Michigan drivers under Section 3135(3)(e) of the Michigan Insurance Code.

SUMMARY OF ARGUMENTS

Pro

Due to the ever-increasing cost of auto insurance, individuals who drive older vehicles may choose not to purchase collision coverage or to purchase collision coverage with a high deductible. Policyholders who make these choices and have an accident may be left with no coverage for the damage to their vehicle or may be forced to pay a high deductible before their vehicle can be repaired. Under the current mini-tort provision, the policyholder may be eligible to collect up to \$500 in damages from the at-fault driver. However, the \$500 mini-tort limit is seldom adequate to either repair or replace the vehicle or to cover a high deductible. Removing the current \$500 mini-tort limit will offer some additional financial relief to individuals in these situations.

Con

This change will add additional liability to all insured drivers and may force some to purchase higher limits of liability coverage.

FISCAL/ECONOMIC IMPACT

OFIR has identified the following revenue or budgetary implications in this bill:

(a) To the Office of Financial and Insurance Regulation:

Budgetary: OFIR may incur some additional expense to revise current consumer publications and to adequately inform consumers of this change to the current no-fault system in Michigan.

Revenue:

Comments:

(b) To the Department of Energy, Labor & Economic Growth: None known.

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None known.

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None known.

Comments:

OTHER STATE DEPARTMENTS


None known.

ANY OTHER PERTINENT INFORMATION

None known.

ADMINISTRATIVE RULES IMPACT

The proposed legislation would amend the Michigan Insurance Code. OFIR has general rulemaking authority under the Insurance Code, 1956 PA 218.



Ken Ross
Commissioner

12.2.09
Date

